OSPS

University of Oxford Staff Pension Scheme

UNIVERSITY OF OXFORD
STAFF PENSION SCHEME

Defined Contribution Governance Statement
for the year to 31st March 2023

Pension Scheme's Registry Number: 10009029
HMRC Registration Number: 00333061RQ

ANNUAL STATEMENT REGARDING GOVERNANCE OF THE DEFINED CONTRIBUTION FUNDS IN OSPS ("the Scheme")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to prepare an annual statement regarding governance, which must be included in the annual Trustee report and accounts and published online. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement covers the period from 1 April 2022 to 31st March 2023 ("the Scheme Year") and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. The default arrangement used to invest members' funds and other funds members can select;
2. Net investment returns;
3. The charges and transaction costs borne by members (and illustrations of the cumulative effect of these costs and charges);
4. Processing of core financial transactions;
5. The value for members assessment;
6. Trustee knowledge and understanding, and
7. Additional requirements for relevant multi-employer schemes.

The Trustee established a Defined Contribution Committee ("DCC") to focus on the DC funds held in the Scheme on 9 June 2022. The Scheme has three arrangements providing DC benefits to members:

- The DC section which was opened for new Scheme entrants on 1 October 2017 (value at 31st March 2023, £31,238,074). The assets of the DC section are managed by Legal and General Assurance Society Limited ("L&G") who also administer the DC section (other administration services are provided by the Pensions Office of the University).
- Defined benefit members' additional voluntary contributions ("AVCs") which are invested with Prudential (value as at 31st March 2023, £115,616); and
- The Bonus account in relation to defined benefit members with pensionable service in the Scheme prior to 31 July 1998, held in a With-Profits Investment Account with Prudential (value as at 31st March 2023, £2,279,333).

Following the introduction of the DC section, the Trustee agreed to offer defined benefit members access to the investment options in the DC section for the purposes of making AVCs. These arrangements are considered as part of the DC section in the remainder of this statement.

1. THE DEFAULT ARRANGEMENT

The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default investment strategy and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.

1.1. DC SECTION

The DC section is used as a Qualifying Scheme for auto-enrolment purposes.

Members who join the Scheme and who do not choose an investment option are placed into the L&G Target Date Funds 3 (the "default arrangement").

The Trustee is responsible for the DC section's investment governance, which includes setting and monitoring the investment strategy for the default arrangement. Throughout the Scheme Year, the Investment Committee was responsible for setting and monitoring the investment strategy subject to consultation requirements and the approval of the Trustee Board. In future, the Investment Committee will remain responsible for setting the strategy, but the DCC will be responsible for monitoring the performance of the strategy. The DCC has been monitoring the performance of the DC section since it was established in June 2022.

Details of the objectives and the Trustee's policies regarding the default arrangement can be found in the 'Statement of Investment Principles' ("SIP"). The Scheme's SIP is included in the Appendix at the end of this statement. The key aims of the default arrangement are set out below for ease of reference:

- to support DC members in building their real retirement income while managing possible downside risks; and

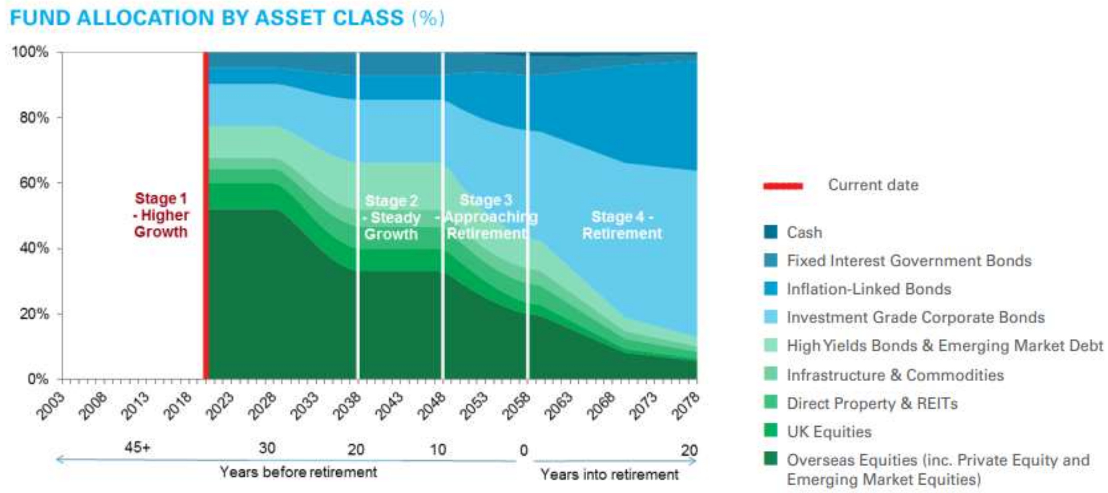
- to hold investments at retirement that do not target a particular benefit but are diversified across primarily 'lower risk' asset classes such as cash and investment-grade bonds, whilst also allocating a lesser proportion to 'higher' risk assets such as equities, property and alternatives.

The Target Date Funds 3 match the investment strategy to a 'target-date range'. This target date range will normally include the year in which members are expected to retire. When members are automatically enrolled into the DC section, their retirement age is set as the members' State Pension Age. The Target Date Funds 3 adjust the way members' pension savings are invested as they move closer to retirement, spreading risk by investing in a range of asset classes throughout, and reducing investment risk as members approach retirement age.

The aim of the Target Date Funds 3 is to provide opportunity for growth in the early years of investment by investing predominantly in equities. As retirement approaches, assets are switched to lower risk investments which have historically been less volatile with the aim of protecting the value of the accumulated fund.

The chart below shows the structure of the Target Date Funds 3 2055-2060 'vintage'. The asset allocation shown is dynamic and is expected to evolve over time. Other target date fund 'vintages' may have a different asset allocation to the one shown below. The chart also shows the asset allocation for those that choose to work or defer taking their pension beyond their retirement age

('Stage 4 – Retirement' in the chart), but please note that the Scheme does not offer a drawdown facility so members will not be able to leave funds invested in the Scheme while taking benefits from those funds.



Source: L&G

Review of the investment strategy and performance of the default arrangement

The Trustee undertakes a formal review of the default arrangement and performance of the default arrangement at least every 3 years. The default arrangement was not formally reviewed during the period covered by this statement.

The last review concluded on 25 March 2021. The review considered the Scheme's membership profile as well as modelling of retirement outcomes for representative members. This modelling showed that the existing default arrangement is expected to provide a broadly similar outcome at retirement but with greater downside protection in the approach to retirement than the alternative 'off the shelf' strategies considered. The Trustee therefore concluded that the existing default arrangement remains suitable.

The next formal review is due to take place by 25 March 2024, or immediately following any significant change in investment policy or the membership profile of the Scheme.

The DCC reviews the performance of the default arrangement against the benchmark(s) set by L&G on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations, and member activity. The DCC performance reviews that took place over the Scheme Year concluded that the default arrangement was performing broadly as expected and remains consistent with the aims and objectives set out in the SIP.

1.2. AVCs

The AVC arrangements do not have a default arrangement, as defined in the Occupational Pension Scheme (Investment) Regulations 2005 since they relate only to AVCs. Members are required to choose which funds their AVCs are invested in.

1.3. Bonus account

The Bonus account is a special investment account which received a credit of 1% of members' pensionable salary for every year and part year of pensionable service as at 31 July 1998. This bonus was granted as a result of a surplus from the Scheme's 1998 actuarial valuation. It was invested with Prudential in a With-Profits Investment Account. At retirement, members use the value of their Bonus account, plus the investment growth it has accumulated, to buy extra pension or take cash.

Although the Prudential With-Profits Investment Account is the only investment available through the Bonus account, no new contributions have been invested in the Bonus account since the Charges and Governance Regulations came into effect. This arrangement does not therefore have a default arrangement, as defined in the Occupational Pension Scheme (Investment) Regulations 2005.

2. NET INVESTMENT RETURNS

The Trustee is required to report the net investment returns for each default arrangement and for each non-default fund which members of the Scheme were invested in during the Scheme Year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.

The net investment returns reported here have been prepared having regard to statutory guidance.

It is important to note that past performance is not a guarantee of future performance.

Performance has been shown over 1 and 5 year periods, although members have not had access to all funds over the past 5 years. Some funds launched less than 5 years ago, therefore 5-year returns are not available.

2.1. DC section - Default arrangement - Target Date Funds 3

Age of member at the start of the investment reporting period	Net investment return to 31st March 2023	
	1 year (%)	5 years (% p.a.)
25 (L&G 2060 - 2065 Target Date Fund 3)	-3.5	4.8
45 (L&G 2040 - 2045 Target Date Fund 3)	-5.1	3.8
55 (L&G 2030 - 2035 Target Date Fund 3)	-5.4	3.7

Source: L&G

2.2 DC section - self select investment funds

Fund name	Net investment return to 31st March 2023	
	1 year (%)	5 years (% p.a.)
L&G 2070 - 2075 Target Date Fund 3	-3.5	Not available
L&G 2065 - 2070 Target Date Fund 3	-3.5	4.8
L&G 2060 - 2065 Target Date Fund 3	-3.5	4.8
L&G 2055 - 2060 Target Date Fund 3	-3.5	4.8
L&G 2050 - 2055 Target Date Fund 3	-3.5	5.0
L&G 2045 - 2050 Target Date Fund 3	-4.1	4.6
L&G 2040 - 2045 Target Date Fund 3	-5.1	3.8
L&G 2035 - 2040 Target Date Fund 3	-5.1	3.8
L&G 2030 - 2035 Target Date Fund 3	-5.4	3.7
L&G 2025 - 2030 Target Date Fund 3	-5.7	3.3
L&G 2020 - 2025 Target Date Fund 3	-3.8	2.6
L&G 2015 - 2020 Target Date Fund 3	-5.6	1.3
L&G Future World Multi-Asset Fund 3	-5.4	Not available
L&G Global Equity (70:30) Index Fund 3[1]	0.9	6.6
L&G Ethical Global Equity Index Fund 3	-1.9	11.8
HSBC Islamic Global Equity Index Fund 3	-5.9	14.8
L&G All Stocks Index Linked Gilts Index Fund 3	-25.8	-3.1
L&G Retirement Income Multi-Asset Fund 3	-3.3	3.5
L&G All World Equity Index 3	-3.4	Not available

Source: L&G

[1] This Fund was removed from the fund range available to members on 20 December 2021, however one member remained invested until 23 January 2023

2.3 AVCs AND BONUS ACCOUNT

Fund	Net investment return to 31st March 2023	
	1 years (%)	5 years (% p.a.)
AVCs		
Prudential Cash Fund	1.4	0.1
Prudential Discretionary Fund	-4.2	3.6
Prudential Fixed Interest Fund	-16.2	-3.3
Prudential Global Equity Fund	0.3	4.6
Prudential Index-Linked Fund	-29.9	-4.0
Prudential International Equity Fund	1.7	6.3
Prudential UK Equity Fund	-1.0	3.3
Prudential With Profits Cash Accumulation Fund	1.5	1.2
Bonus Account		
Prudential With Profits Investment Account	2.0	1.7

Source: Prudential

For the Prudential With Profits Funds, the net investment returns shown above are the bonus rates declared on these funds over the relevant period. Whilst, in practice, we would expect a terminal bonus to increase returns to close to the returns achieved by the underlying assets of the With Profits Funds over the period held (after taking account of all costs of running the fund, including the costs of any guarantees), these amounts are unknown and are not guaranteed. A market value reduction, which can reduce the return delivered to investors, may be applied on exit from the With Profits Funds at any time other than at maturity date, or in the event of death before retirement.

3. MEMBER-BORNE CHARGES AND TRANSACTION COSTS

The Trustee must report the level of charges and costs borne by members through the investment funds during the Scheme Year. These comprise:

- Charges – which represent the costs associated with operating and managing a members' account or policy. Charges are explicit for unit-linked funds and are reflected in the unit price.

- Transaction costs, which are incurred when fund manager buys and sells assets within investment funds. These are implicit and are reflected in the unit price of funds, or the fund value quoted for With Profits funds.

The Trustee is also required to produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required following the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustee has taken account of the statutory guidance when compiling the information in this section, other than when determining the representative member for the Bonus account, which uses the mean average (rather than the median) age and fund value. Current fund values have been rounded to the nearest £10.

Except as stated below, all costs and expenses relating to DC benefits (including advisory costs) are borne by the Trustee and are not passed onto members. This includes the fee the Trustee pays to L&G for each new member (currently £120.43 per new member) (increasing in line with the index of Average Weekly Earnings, payable in October each year.

3A.1. DC SECTION

Members of the DC section pay the following charges:

- an administration charge (the annual management charge ("AMC"). This covers the cost of running the members' policy) and is met by cancelling units as shown on members' annual benefit statements or transaction history;

- a fund management charge ("FMC") which covers the cost of managing the fund in which they are invested, including any additional expenses disclosed by the fund manager. This is met by adjusting the unit price of the funds members invest in (so it's not shown separately on the annual benefit statement or transaction history).

The Total Expense Ratio ("TER") is the term used to describe the total of all explicit charges members pay. This is made up of the AMC and FMC.

Members also bear transaction costs, as described in section 3 above.

Charges and transaction costs are incurred on an ongoing basis.

The table below shows the explicit costs (TER) and implicit costs (transaction costs) on funds available through the DC section as at 31st March 2023. These have been provided by L&G. Transaction costs calculated for L&G funds are for the 12-month period to 31st March 2023. There is no missing transaction cost data for the DC section.

The TER on the default arrangement (the L&G Target Date Funds 3) is below the statutory charge cap of 0.75%.

DC section fund	AMC (% p.a.)	FMC (% p.a.)	Transaction costs (% p.a.)	Total costs and charges (% p.a.)
L&G Target Date Funds 3 **(the default arrangement)**	0.3	0.15	0.07-0.14[2]	0.52-0.59[2]
L&G All World Equity Index Fund 3	0.3	0.12	0.07	0.49
L&G Global Equity (70:30) Index Fund 3[3]	0.3	0.10	0.04	0.44
L&G Ethical Global Equity Index Fund 3	0.3	0.30	0.00	0.60
HSBC Islamic Global Equity Index Fund 3	0.3	0.35	0.00	0.65
L&G Future World Multi-Asset Fund 3	0.3	0.16	0.07	0.53
L&G Retirement Income Multi-Asset Fund 3	0.3	0.31	0.15	0.76
L&G All Stocks Index Linked Gilts Index Fund 3	0.3	0.08	0.18	0.56

[2]Depending upon target date range
[3] This Fund was removed from the fund range available to members on 20 December 2021, however one member remained invested until 23 January 2023

To give an example in monetary terms, a member invested in one of the L&G Target Date Funds with a fund value of £1,000 will pay an AMC of £3 a year (paid by cancelling units) plus a FMC of £1.50 a year, paid by adjusting the unit price. The costs of buying and selling assets in the L&G Target Date Funds were between 70p and £1.40 over the year to 31st March 2023. The unit price of the L&G Target Date Funds took account of these transaction costs.

3A.2. AVCs

Members with AVC funds pay an AMC from their unit-linked funds. Some unit-linked funds are subject to additional expenses. For unit-linked funds, the TER is made up of the AMC plus the additional expenses.

The charges on the With-Profits Cash Accumulation Fund are not explicit, they are taken into account when the annual bonus rate on the Fund is declared. Prudential has however provided an estimate of the charges on the Fund and this is shown in the table below.

The table below shows the costs and charges borne by members on their AVCs, which have been provided by Prudential. The TER is as at 31st March 2023. The transaction costs are the most recent available but they cover the twelve month period ending 30 September 2022.

Prudential has explained that transaction costs for the Scheme Year are not available because the majority of its funds are mirror funds or fund of funds. Prudential is therefore very much reliant on the underlying fund managers providing accurate data to its third party provider who then uses this data to calculate transaction costs at the Prudential pension fund level. Prudential also requires some time to validate the data and check the end results. Prudential has confirmed it is continuously working with all stakeholders to make the process as efficient as possible.

As explained above, there is no default arrangement for AVC members.

AVC fund	TER (% p.a.)	Transaction costs (% p.a.)	Total costs (% p.a.)
Prudential Cash Fund	0.55	0.00	0.55
Prudential Discretionary Fund	0.80	0.06	0.86
Prudential Dynamic Growth 1 Fund	0.73	0.00	0.73
Prudential Fixed Interest Fund	0.76	0.15	0.91
Prudential Global Equity Fund	0.77	0.06	0.83
Prudential Index-Linked Fund	0.76	0.00	0.76
Prudential International Equity Fund	0.79	0.01	0.80
Prudential UK Equity Fund	0.76	0.07	0.83
Prudential With Profits Cash Accumulation Fund[4]	1.04 (estimated)	0.20	1.24 (estimated)

[4]Prudential currently estimates the charges on the With Profits Cash Accumulation Fund to be 0.8% p.a. assuming investment returns are 5% p.a. plus additional expenses of 0.24% p.a.

3A.3. Bonus account

The charges for the With-Profits Investment Account are not explicit. Prudential takes account of the costs of administering the With-Profits Investment Account when it declares the annual bonus rate on the Account. Prudential has however provided an estimate of the charges on the With-Profits Investment Account.

The table below shows the estimated charges and the transaction costs borne by Bonus account members. These have been provided by Prudential. The TER is as at 31st March 2023. The transaction costs are the most recent available, but they cover the twelve-month period ending 30 September 2022. Please see section 3A.2 for an explanation of why more recent transaction costs are not available.

As explained above, there is no default arrangement for Bonus account members.

Bonus account	TER (% p.a.)	Transaction costs (% p.a.)	Total costs and charges (% p.a.)
Prudential With Profits Investment Account	0.89[5] (estimated)	0.2	0.99 (estimated)

[5]Prudential currently estimates the charges on the With Profits Investment Account to be 0.65% p.a. plus additional expenses of 0.24% p.a.

3B. ILLUSTRATIONS OF THE CUMULATIVE EFFECT OF COSTS AND CHARGES

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided illustrations of their cumulative effect on the value of typical Scheme members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative example members, and are based on a number of assumptions about the future which are set out at the end of this section.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements. The Scheme does not offer members access to flexi-access drawdown therefore this option has not been taken into account in these illustrations.

3B.1. DC SECTION

For the DC section, the Trustee has decided to illustrate four example members, taking account of the recent increase in employer contribution rates as follows:

Example Member	Current Age	Retirement Age	Salary (£ per annum)	Total contribution rate	Current Fund Value (£)
1 – Youngest Active	16	68	19,600	18%	500
2 – Youngest Deferred	16	68	N/A	N/A	100
3 – Median Active	37	68	23,100	18%	3,700
4 – Median Deferred	31	68	N/A	N/A	2,100

These example members were chosen as they are representative of the Scheme's DC section membership.

The Trustee has produced illustrations to demonstrate the cumulative effect of the above costs and charges for the default investment strategy (as represented by the L&G 2070 – 2075 Target Date Fund 3 for the youngest example active and deferred members, and the L&G 2055 – 2060 Target Date Fund 3 for the median active and deferred members).

The Trustee has also included illustrations to demonstrate the cumulative effect of costs and charges for the L&G Retirement Income Multi-Asset Fund 3 which has the highest charges and the L&G All World Equity Index Fund 3 which is the fund in the current fund range with the lowest charges, in accordance with the current guidance.

The tables below illustrate the cumulative effect of the costs and charges at different ages on members' projected retirement pots for the example members invested in the relevant L&G Target Date Funds 3, the L&G Retirement Income Multi-Asset Fund 3 and the L&G All World Equity Index Fund 3. The projected retirement fund is shown in today's terms and so it already takes account of the effect of inflation between now and retirement.

Example member 1 – For the youngest active member the estimated impact of charges on accumulated fund values is shown in the table below.

Age	L&G 2070 – 2075 Target Date Fund 3			L&G Retirement Income Multi-Asset Fund 3			L&G All World Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
16	£500	£500	£0	£500	£500	£0	£500	£500	£0
20	£15,770	£15,599	£171	£15,551	£15,328	£223	£15,895	£15,752	£143
25	£38,846	£37,896	£950	£37,631	£36,416	£1,215	£39,559	£38,749	£810
30	£67,319	£64,714	£2,605	£63,994	£60,747	£3,247	£69,307	£67,050	£2,257
35	£102,451	£96,968	£5,483	£95,471	£88,821	£6,650	£106,705	£101,881	£4,824
40	£145,799	£135,761	£10,038	£133,055	£121,211	£11,844	£153,718	£144,748	£8,970
45	£199,285	£182,419	£16,866	£177,930	£158,584	£19,346	£212,819	£197,503	£15,316
50	£265,280	£238,536	£26,744	£231,511	£201,704	£29,807	£287,117	£262,429	£24,688
55	£346,710	£306,030	£40,680	£295,486	£251,455	£44,031	£380,520	£342,334	£38,186
60	£447,183	£387,208	£59,975	£371,872	£308,858	£63,014	£497,938	£440,672	£57,266
65	£571,153	£484,843	£86,310	£463,076	£375,089	£87,987	£645,548	£561,697	£83,851
68	£659,050	£552,685	£106,365	£526,086	£419,622	£106,464	£751,758	£647,331	£104,427

Example member 2 – For the youngest deferred member the estimated impact of charges on accumulated fund values is shown in the table below.

Age	L&G 2070 – 2075 Target Date Fund 3			L&G Retirement Income Multi-Asset Fund 3			L&G All World Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
16	£100	£100	£0	£100	£100	£0	£100	£100	£0
20	£118	£116	£2	£115	£112	£3	£120	£118	£2
25	£146	£139	£7	£138	£129	£9	£151	£145	£6
30	£180	£168	£12	£164	£149	£15	£190	£179	£11
35	£222	£202	£20	£196	£172	£24	£239	£220	£19
40	£274	£243	£31	£234	£199	£35	£300	£271	£29
45	£338	£292	£46	£280	£229	£51	£377	£333	£44
50	£417	£351	£66	£334	£265	£69	£474	£410	£64
55	£515	£422	£93	£399	£305	£94	£596	£505	£91
60	£636	£508	£128	£476	£352	£124	£749	£621	£128
65	£784	£610	£174	£568	£406	£162	£942	£765	£177
68	£890	£682	£208	£632	£443	£189	£1,080	£866	£214

Example member 3 – For the median active member the estimated impact of charges on accumulated fund values is shown in the table below.

Age	L&G 2055 – 2060 Target Date Fund 3			L&G Retirement Income Multi-Asset Fund 3			L&G All World Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
37	£3,700	£3,700	£0	£3,700	£3,700	£0	£3,700	£3,700	£0
40	£17,328	£17,162	£166	£17,115	£16,896	£219	£17,450	£17,311	£139
45	£44,231	£43,192	£1,039	£42,902	£41,570	£1,332	£45,009	£44,125	£884
50	£77,425	£74,500	£2,925	£73,691	£70,039	£3,652	£79,655	£77,124	£2,531
55	£118,383	£112,155	£6,228	£110,454	£102,886	£7,568	£123,209	£117,736	£5,473
60	£168,919	£157,444	£11,475	£154,349	£140,785	£13,564	£177,961	£167,718	£10,243
65	£231,275	£211,915	£19,360	£206,758	£184,513	£22,245	£246,793	£229,230	£17,563
68	£275,486	£249,764	£25,722	£242,966	£213,914	£29,052	£296,318	£272,755	£23,563

Example member 4 – For the median deferred member, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	L&G 2055 – 2060 Target Date Fund 3			L&G Retirement Income Multi-Asset Fund 3			L&G All World Equity Index Fund 3		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
31	£2,100	£2,100	£0	£2,100	£2,100	£0	£2,100	£2,100	£0
35	£2,484	£2,434	£50	£2,420	£2,355	£65	£2,522	£2,479	£43
40	£3,066	£2,928	£138	£2,890	£2,717	£173	£3,170	£3,051	£119
45	£3,782	£3,521	£261	£3,450	£3,135	£315	£3,985	£3,755	£230
50	£4,667	£4,235	£432	£4,119	£3,617	£502	£5,010	£4,622	£388
55	£5,759	£5,094	£665	£4,919	£4,173	£746	£6,299	£5,688	£611
60	£7,105	£6,126	£979	£5,873	£4,815	£1,058	£7,918	£7,000	£918
65	£8,767	£7,368	£1,399	£7,012	£5,555	£1,457	£9,954	£8,615	£1,339
68	£9,945	£8,232	£1,713	£7,799	£6,053	£1,746	£11,419	£9,758	£1,661

3B.2. AVCs

For the AVC arrangement, we have decided to illustrate two example members as follows:

Example Member	Current Age	Retirement Age	Contributions (£ per month)	Current fund value (£)
5 – Youngest member paying AVCs	53	65	600	38,000
6 – Youngest member not paying AVCs	58	65	N/A	6,000

In accordance with the guidance, we have produced illustrations to demonstrate the cumulative effect of the above costs and charges for the With Profits Cash Accumulation Fund and the Cash Fund because these are the Funds with the highest and lowest charges respectively.

For example member 5, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	With Profits Cash Accumulation Fund			Cash Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
53	£38,000	£38,000	£0	£38,000	£38,000	£0
55	£56,360	£55,320	£1,040	£53,150	£52,670	£480
60	£107,150	£101,210	£5,940	£89,730	£87,290	£2,440
65	£166,780	£151,800	£14,980	£124,720	£119,300	£5,420

For example member 6, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	With Profits Fund			Cash Fund		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
57	£6,000	£6,000	£0	£6,000	£6,000	£0
60	£6,580	£6,440	£140	£6,150	£6,080	£70
65	£8,270	£7,670	£600	£6,530	£6,290	£240

3B.3. Bonus account

For the Bonus account, we have decided to illustrate two example members being the youngest and average Bonus account members:

Example Member	Current Age	Retirement Age	Current fund value (£)
7 – Youngest Bonus account member	41	65	100
8 – Average Bonus account member	55	65	1,600

For example member 7, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	With Profits Investment Account		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
41	£100	£100	£0
45	£120	£120	£0
50	£150	£140	£10
55	£190	£170	£20
60	£240	£200	£40
65	£300	£240	£60

For example member 8, the estimated impact of charges on accumulated fund values is shown in the table below.

Age	With Profits Investment Account		
	Fund value (before charges)	Fund value (after charges)	Impact of charges on fund value
55	£1,600	£1,600	£0
60	£2,010	£1,920	£90
65	£2,530	£2,300	£230

3B.4. ASSUMPTIONS AND DATA FOR ILLUSTRATIONS

All fund values shown are estimates and are not guaranteed.

The effect of charges on fund values is rounded to the nearest £10 for all illustrations.

Fund values shown are in real terms and do not need to be reduced to allow for the effect of inflation.

Inflation is assumed to be 2.5% p.a. consistent with the guidance.

Projected fund values for Prudential With Profits funds assume returns are the investment growth less charges however this is unlikely to be the same as the bonus rate declared on these funds.

For the example active members of the DC section, contributions are assumed to continue until retirement and to increase by assumed earnings inflation of 2.5% p.a.

For the example active AVC member, contributions are assumed not to increase each year.

The transaction costs have been averaged over a number of years (up to 5 years for each of the DC Section funds and over 4 years for the AVC arrangement and Bonus account) in line with statutory guidance, to reduce the level of volatility. A floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

The projected growth rates and costs and charges used for the illustrations are shown in the table below. These are the same as the growth rates used by the providers for annual benefit statements. We have used a single growth rate for the Target Date Funds, irrespective of the length of time members have to retirement, consistent with L&G's practice for annual benefit statements.

Fund	Total assumed annual charge[6]	Growth rate (gross of charges)
L&G PMC 2070 – 2075 Target Date Fund 3	0.54%	4.4% p.a. above inflation
L&G PMC 2055 – 2060 Target Date Fund 3	0.54%	4.4% p.a. above inflation
L&G All World Equity Index Fund 3	0.46%	4.8% p.a. below inflation
L&G Retirement Income Multi-Asset Fund 3	0.71%	3.7% p.a. above inflation
Prudential With Profits Cash Accumulation Fund (AVCs)	1.14%	7.3% p.a. above inflation
Prudential Cash Fund (AVCs)	0.55%	1.25% p.a. above inflation
Prudential With Profits Investment Account (Bonus account)	0.99%	7.3% p.a. above inflation

[46]This is the TER plus the averaged transaction costs

4. PROCESSING OF CORE FINANCIAL TRANSACTIONS

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments from the Scheme to and in respect of members/beneficiaries.

4.1. DC SECTION

The bulk of the core financial transactions are undertaken on behalf of the Trustee by L&G. The Scheme employers are responsible for ensuring that contributions are paid to the Scheme promptly. The Pensions Office is responsible for monitoring contributions and reconciling contributions under the service level agreement ("SLA") in place with the Trustee which provides for a data file to be provided within 5 working days of agreed monthly dates. The Pensions Office reports SLA performance to the Governance and Operations Committee (previously the General Purposes Committee). The Governance and Operations Committee monitored the allocation of contributions based upon the quarterly administration reports provided by L&G until the DCC was established, but the DCC is now responsible for this monitoring.

The Trustee has a SLA in place with L&G. This details a number of key administration processes to be performed and the target timescale within which each of these processes need to be completed. The SLA covers the accuracy and timeliness of all core financial transactions. Under the current SLA, L&G aims to complete investment of contributions within 24 hours, and all other core financial transactions within 5 working days.

L&G uses automated processes wherever possible, to avoid the need for manual intervention. However, there will always be some manual tasks and L&G has processes in place to ensure these are completed promptly and accurately. These processes include:

- Use of a standard operating procedure manual (this is a guide which is used by the administration team to ensure that repeat tasks are carried out in the same way each time).
- Quality / in-line checking of tasks by another individual.
- Quality sampling, where a number of cases per process and/or per member of staff are sampled to be checked by more senior or experienced members of staff, who are in turn subject to checks by another team.
- Daily monitoring of bank accounts and daily processing of both contribution files and cash allocation.

L&G processed the majority of core financial transactions within the SLA during the Scheme year. However, it took longer than 5 working days to pay a number of transfer out payments (which brought the average SLA performance for this task down to 92%). L&G has confirmed that the industry-wide focus on pot consolidation had an impact on its Transfers Out team and the number of cases it had to process, which impacted service levels. L&G has also confirmed that transfer out payment tasks returned to expected service levels in June 2023.

The Trustee aims to have appropriate internal controls in place to minimise the risk of inaccurate or late payment of core financial transactions. Key processes include:

- As well as processes described above, the Trustee receives quarterly reports from L&G on compliance with agreed standards and timescales to help it monitor that the SLAs of the Pensions Office and L&G are being met;
- L&G attends at least one DCC meeting a year, and maintains regular communication with the Scheme Secretary;

- Receipt of contributions by L&G is reconciled to the funds remitted from the Scheme bank account by the University on behalf of the Trustee;
- All refunds of contributions resulting from individuals opting out are reconciled to the Scheme's bank records prior to returning funds to the relevant Participating Employer;
- As part of master trust authorisation, the Scheme's processes were independently reviewed and this review has been an annual process since then;
- The Trustee reviews L&G's Audit and Assurance Faculty report on an annual basis, and further investigates any exceptions that are considered material.
- The Trustee was presented with proposals from Cyber Resilience experts on how to review and bolster the Scheme's cyber resilience. These proposals were reviewed in September and the Trustee is currently working with the University's internal expert resource on a cyber resilience project.

The Trustee is therefore satisfied that over the period:

- L&G was operating appropriate procedures, checks and controls.
- there have been no material administration errors in relation to processing core financial transactions; and
- L&G was operating within the agreed SLAs the majority of the time; and the majority of core financial transactions have been processed promptly and accurately during the Scheme Year, with appropriate steps being taken to return to improve where this expectation has not been met.

4.2. AVCs and Bonus account

For the AVCs and the Bonus account, transactions are undertaken on the Trustee's behalf by the Pensions Office and Prudential. The Trustee has a SLA in place with the Pensions Office relating to transfers in and transfers out, payment processing, payment of benefits at retirement and contribution processing. These are set out in the table below.

The Trustee does not have a formal service level agreement in place with Prudential. However, Prudential has target timescales in operation for core financial transactions as set out in the table below.

Task	Target timescales / Service Level Agreement	
	Prudential	Pensions Office
Allocation of contributions	5 working days[7]	Not applicable
Transfers in	5 working days	5 days
Transfers out	5 working days	5 days
Fund switches	5 working days	Not applicable
Payment of retirement and death benefits	5 working days	2 days

[7]Prudential backdates the payment to the receipt date so even if the contribution is not allocated until a later date, it will be invested with an effective date of day 1.

The Trustee receives quarterly reports on performance of the Pensions Office, with any exceptions reported when matters have not been dealt with promptly and accurately. No material issues arose during the Scheme Year to 31st March 2023.

Prudential monitors its performance against service targets closely and adopts a number of measures to help ensure core financial transactions are processed in a timely and accurate manner. These include:

- A dedicated contribution processing team;
- A central financial control team separate from the main administration team;
- Peer review and authorisation of payments;
- Daily monitoring of bank accounts;
- Daily checking and reconciliation of member unit holdings.

As expected for the size of the AVC arrangement, there were relatively few core financial transactions over this period. These comprised of twelve monthly contribution payments and payment of benefits to one member. The Pensions Office has confirmed these were all processed in a timely manner.

The Trustee is therefore satisfied that over this period:

- The Pensions Office was operating appropriate procedures, checks and controls and operating within the agreed SLAs;
- there have been no material administration errors in relation to processing dis-investments; and
- dis-investments and contribution payments have been processed promptly and accurately during the Scheme Year.

5. VALUE FOR MEMBERS ASSESSMENT

The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.

There is currently no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with its advisers, Aon, the Trustee has developed a cost-benefit analysis framework in order to make an assessment as to whether members receive good value from the Scheme relative to the costs and charges they pay. The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No. 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits) and the relevant statutory guidance.

The costs and charges have been identified as the TER and transaction costs, as set out in section 3 of this statement. The Trustee's assessment concluded that the charges for the DC section are within the range reported by other similar schemes. Benchmarking data for transaction costs is not currently available but L&G typically uses cash flows to manage and minimise transaction costs. The majority of investments in the DC section are index-tracking funds and such funds have lower transaction costs than more actively managed funds, such as the Prudential funds held by AVC members. The Trustee has offered AVC members the opportunity to transfer funds and future contributions to the DC section to take advantage of the lower costs and charges (and other benefits) it provides.

The Trustee has considered the benefits of membership under the following five categories: governance, investments, administration and member experience, member communications and retirement support. Each of these categories have been given an equal weighting, when considering overall value for members. Benchmarking relative to other pension arrangements or industry best practice guidelines has also been undertaken.

For the AVCs and Bonus account, the Trustee has considered the benefits these arrangements provide to members in the wider context of membership of the Scheme rather than these arrangements alone.

A summary of the assessment for each category of benefit is set out below.

5.1. GOVERNANCE

Having robust processes and structures in place to support effective management of risks and ensure members interests are protected should increase the likelihood of good outcomes for members.

The Scheme has achieved master trust authorisation and is supervised as a master trust, which includes consideration of its governance processes and structure. As well as the business plan, the Trustee has governance processes in place for the DC section whereby core financial transactions and other key governance factors are monitored quarterly. The establishment of the DC Committee has increased the time spent on DC matters.

The Trustee takes a proportionate approach to governance of the AVCs and Bonus account arrangements, taking account of the number of members and assets under management and the relatively static nature of these arrangements (in terms of fund switches and other core financial transactions). Members who hold AVCs have been offered the opportunity to move these to the DC section to take advantage of the lower charges and additional governance oversight, and an exercise to make members aware of this was undertaken in the 2018/19 Scheme year. A review of the AVC arrangements is undertaken every three years. The last review was completed on 15 November 2022.

DC issues are included in the Scheme's risk register, which is reviewed regularly, and the Trustee takes professional advice in respect of actuarial, legal and investment matters (the costs of which are not passed onto members).

The Trustee concluded it has suitable governance processes in place. DC issues are included in the Scheme's risk register, which is reviewed regularly, and the Trustee takes professional advice in respect of actuarial, legal and investment matters.

5.2. INVESTMENTS

The Trustee believes that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes.

For the DC section, the Trustee reviews investment performance (after all charges) in the context of each funds' investment objectives on a quarterly basis and assesses the suitability of the default arrangement at least every 3 years.

The investment performance reviews carried out during the Scheme Year for the DC Section identified no major concerns relative to the relevant investment objectives.

The AVC arrangement offers members a range of funds that provide access to the main asset classes and a With Profits Fund and is therefore considered to be capable of meeting members' needs. The review of these arrangements completed on 15 November 2022 raised no concerns over fund performance.

The Prudential With Profits Investment Account is the only option available through the Bonus account. All members of the Bonus account have benefits in the DB section and this account provides additional benefits. Performance of the Bonus account has not been formally reviewed during the Scheme Year. The Trustee is unable to change the investment strategy as doing so would result in the loss of investment guarantees provided by the With Profits Investment Account.

The Trustee has concluded that the processes it has in place to review and monitor investments are suitable.

5.3. ADMINISTRATION

Good administration and record keeping play a crucial role in ensuring that the Scheme operates efficiently and members receive the retirement benefits due to them.

The Scheme has achieved master trust authorisation and is supervised as a master trust, which includes consideration of its administration systems and processes.

The Trustee has service level agreements in place with L&G and the Pensions Office and L&G and the Pensions Office report performance against these on a quarterly basis. This enables the Trustee to monitor standards of administration and investigate any issues that arise.

The Trustee does not have a formal service level agreement in place with Prudential for the AVCs and Bonus account, however Prudential has processes in place to ensure core financial transactions are processed promptly and accurately. When operating 'business as usual' Prudential has target timescales for core financial transactions however it was still operating its service recovery plan throughout much of the Scheme Year, due to the issues caused by the administration system changes Prudential made in late 2020. Following the end of the Scheme Year, Prudential has returned to business as usual service levels.

The Trustee has concluded that the processes it has in place to review and monitor administration are suitable.

5.4. MEMBER COMMUNICATIONS

Effective member communications and delivery of the right support and tools help members understand and have the potential to improve their retirement outcomes.

Member communications remain a key focus area for the DCC.

Members of the DC section and members of the defined benefit section who have AVCs have online access to their accounts via the L&G and Prudential websites. These websites also include modelling tools and supporting information. Relevant sources of information are signposted to members. L&G also provides a helpline to members of the DC section.

Whilst the Bonus account does not offer online access, members receive an annual benefit statement and this enables them to monitor their projected retirement outcomes, albeit the nature of the arrangement means there is no scope to improve that outcome within the Scheme.

The Trustee concluded that the Scheme's communications are broadly in line with those provided by similar schemes.

5.5. RETIREMENT SUPPORT

Retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement help members understand and improve retirement outcomes.

The DC section allows members to access their funds as an uncrystallised fund pension lump sum (i.e. cash) or to take their entitlement to tax-free cash and use the remainder to buy an annuity. Members also have the opportunity to transfer their DC funds out of the Scheme to a suitable arrangement, if they wish to draw income directly from their fund. This is in line with the approach adopted by most other occupational DC pension schemes. The L&G website provides members with access to relevant information to support retirement decision making.

The Scheme allows defined benefit section members with AVCs to use their AVCs or Bonus account as the first source of tax free cash from the Scheme rather than having to commute defined benefit pension. The Trustee believes this option is valued highly by members who have made AVCs or who have Bonus account benefits. Pre-retirement communications clearly set out the options available to members (i.e. standard benefit option, maximum cash option or no cash option).

The Trustee has concluded that the retirement options available to members are appropriate and in line with those offered by similar schemes.

The Trustee's assessment for the year ended 31st March 2023 concluded that the charges and transaction costs borne by members of the DC section, AVCs and Bonus account were in line with other options available in the market and represent good value for members, taking account of the benefits of Scheme membership.

6. TRUSTEE KNOWLEDGE AND UNDERSTANDING

Sections 247 and 248 of the Pensions Act 2004 set out the requirements for trustees to have appropriate knowledge and understanding. These requirements are considered in the Pension Regulator's Code of Practice 7.

The comments in this section relate to the Scheme as a whole and not solely the DC Section.

New Trustee Directors are required to complete a structured induction programme before taking up office, which may include a period of acting as an observer. Completion of the Pensions Regulator's Trustee Toolkit forms part of that induction.

Three new Trustee Directors were appointed during this reporting period. Feedback has been received from the incoming Trustee Directors and this will be taken into account in future induction process.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up to date with relevant developments and review their own training needs. The Scheme Secretary, with the help of the Trustee's advisers, regularly considers training requirements and arranges for training to be made available to individual Trustee Directors or to the whole Trustee body as appropriate. Training is recorded in the Trustee Director's training logs and the Business Plan is updated as required. Trustee Directors have personal copies of the Trust Deed and Rules and have access to all Scheme governance documents and policies through the Scheme's SharePoint site.

It is usual to hold training sessions at each quarterly Trustee meeting. Training sessions usually cover topics on the agenda and updates to law, regulation and practice such as new governance requirements, new legislative requirements, changes to Scheme documentation (e.g. Trust Deed and Rules, SIP, Scheme policy documents), funding and investment and new provider offerings that might benefit the Scheme.

During the period covered by this statement, the Trustee Directors received DC-relevant training from their DC advisers and their legal advisers. This training included the following matters:

1. Pensions Act 2021 (Trustee board training – April 2022)
2. Cyber security (Trustee board training – July 2022)
3. DC Retirement Support (Trustee board training – September 2022)

As part of the master trust application process, the Trustee Directors needed to demonstrate that they individually have appropriate trustee knowledge and understanding as part of the fit and proper person test. Trustee knowledge and understanding was assessed by asking each Trustee Director to complete a self-assessment. From this, a trustee board skills matrix was compiled. This approach has been included in the Trustee business plan to ensure the Board considers any gaps in its knowledge regularly and informs its training needs or the need for additional support and advice. New Trustee Directors must also demonstrate they meet the fit and proper person test as part of the ongoing supervision of the Scheme as a master trust.

The Trustee Directors also receive advice from professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. The Scheme Actuary and Legal Adviser and other advisers attend each Trustee meeting to provide advice and are available to attend committee meetings when appropriate. In particular, the Scheme Actuary attends funding and investment committee meetings when funding matters are on the agenda. The investment adviser attends each funding and investment committee meeting and is invited to Trustee meetings when appropriate. The DC consultant attends each DC committee meeting and is invited to Trustee meetings when appropriate. All advisers are available to provide advice and support when required.

The Trustee Directors are conversant with key scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts, Statement of Investment Principles and Trustee policies and procedures.

Some examples during the Scheme Year which demonstrate the Trustee Directors' knowledge and understanding and familiarity with Scheme documents include:

1. Consideration of the Trust Deed & Rules when reviewing the structure of the Trustee's committees.
2. Consideration of the Trust Deed & Rules and Trustee company documentation when reviewing the policy and procedure relating to member-nominated Trustee Directors.
3. Consideration of existing principles and policies when making decisions in preparation for the additional disclosures required in relation to climate change.
4. Signing off the Trustee Report and Accounts.
5. Reviewing quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience.
6. Reviewing quarterly investment reports to assess fund performance against benchmarks, and funds against overall Scheme aim and objectives, as set out in the SIP.
7. Regular review of policies by rotation under the Scheme's activity plan.
8. During this period, the Trustees undertook a gap analysis to review the entire suite of governance documents to measure compliance with the Pensions Regulator's draft General Code of Practice. Noting that they currently have 100 governance documents and policies, part of this work was looking to simplify the governance documents and then set out a more manageable review cycle. This work is currently ongoing.
9. Consideration of the Trust Deed & Rules and trust law when considering member applications and the application of death benefits

Taking account of actions taken individually and as a Trustee Board, together with advice available from its professional advisers, the Trustee considers that its Board has the necessary knowledge and understanding to properly exercise its functions as Trustee of the Scheme.

7A. ADDITIONAL REQUIREMENTS FOR RELEVANT MULTI-EMPLOYER SCHEMES

The Trustee is required to comply with the additional requirements for relevant multi-employer schemes, set out in Regulation 26 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

The Trustee board currently has six non-affiliated Trustee Directors (including the chair of the Trustee Board) and four affiliated Trustee Directors with one vacancy. Affiliation refers broadly to being employed by an entity providing services to the Scheme. The affiliated Trustee Directors are employees (or recent employees) of the University but none are/were employed in the Pensions Office which provides services to the Trustee or have/had roles involving oversight or direction of the Pensions Office. The non-affiliated Trustee Directors are Mr C. A. H. Alexander, Ms L. Savin, Mr N. Badman, Mrs M. Hauser, Mr J. N. Sykes (Chair), and Mr J. Clark. The non-affiliated Trustee Directors do not work for the University (or any other Scheme service provider) or any of its subsidiaries (nor have they in the five years prior to their appointment as Trustee Directors) and have not received any payment or benefit from the University (or any other Scheme service provider) other than for their role on the Trustee Board. The term lengths of the non-affiliated Trustee Directors comply with Regulation 28 of the Occupational Pension Schemes (Scheme Administration) Regulations 26, being 3 years each (extended to 4 years for the Chair on an exceptional basis by agreement between the Trustee and University). The Trustee's articles permit term extensions to be decided by the Trustee Board where there is a vacancy, subject to statutory term limits.

After the reporting period, non-affiliated director Mr J Clark's term was extended while the formalities of the appointment process for the post are progressed by the University. In order to ensure an open and transparent appointment process, the vacancy is being publicly advertised in the University Gazette.

Mr N. Badman was selected as a non-affiliated director and became an observer from 1 January 2022 until the formal process of his induction and appointment was completed on 1 July 2022. In order to ensure an open and transparent appointment process, the vacancy was publicly advertised in the University Gazette before the University Council made its decision.

An MND process was re-run as no non-affiliated candidate was found after a vacancy originally arose from 1 April 2020. Mrs M. Hauser was selected as a director following a further MND process run in accordance with the requirements of section 242(2) of the Pensions Act 2004. She became an observer from 1 January 2022 until the formal process of her induction and appointment was completed on 15 August 2022. Due to the delay in finding a replacement MND, during the period covered by this report there were an even number of affiliated and non-affiliated directors until Mrs M. Hauser's appointment was completed, rather than the required majority non-affiliated directors. This was reported to The Pensions Regulator, who was kept updated with steps being taken to fill the non-affiliated MND vacancy. As described above, two further non-affiliated directors were identified and began to participate in Trustee board and committee meetings from 1 January 2022, with their formal appointments being confirmed during the reporting period, once they had completed all required training and formalities.

During the period, non-affiliated director Ms L. Savin's term as an MND was extended from 1 April 2022 until completion of the current MND process. The MND process was delayed whilst the process was reviewed and updated to move to selection rather than election and to make other changes. Consequent changes were made to the Trustee company articles, Scheme Trust Deed and Rules, and the University's governance documentation. This updating process was completed in June 2023, allowing the MND process to move forward after the end of this reporting period.

It was agreed by the Trustee and the University during the period, in accordance with a power in the Trustee Company's articles of association, that the Chair's term should be extended by one year to four years, until 31st March 2024. This was primarily to allow the triennial scheme funding valuation process to be concluded under the current chairmanship.

One other non-affiliated director was appointed during the period.

7B. FEEDBACK

Members and their representatives are encouraged to make their views on matters relating to the Scheme known to the Trustee. Because of the size, nature and demographic of the Scheme membership, a range of different channels is available to members should they wish to share their views with the Trustee. They may contact the Trustee via the contact details (telephone number, email and postal address) in the annual report and the annual members' newsletter and on the OSPS website page. Members may also give feedback when in contact with the Pensions Office and they are encouraged to give feedback in the annual members' newsletter. The Trustee keeps under review the level of engagement with members and the opportunities for feedback from members. The presence of a number of member-nominated Trustee Directors on the Trustee Board is also helpful in this regard. Feedback is also received on future provision from employer working groups and forums that also include union representatives.

Signed on behalf of the Trustee of the University of Oxford Staff Pension Scheme by the Chair of the Trustee

J N Sykes Date

APPENDIX TO THE ANNUAL STATEMENT REGARDING GOVERNANCE OF THE DEFINED CONTRIBUTION FUNDS IN OSPS ("the Scheme")

Statement of Investment Principles – University of Oxford Staff Pension Scheme (Defined Contribution)

Introduction

This Statement of Investment Principles (SIP) has been prepared by the Trustee of the University of Oxford Staff Pension Scheme (the Scheme) to comply with the requirements of the Pensions Acts 1995, as amended, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK.

This SIP applies to the Defined Contribution (DC) Section only. There is a separate SIP for the Defined Benefit Section.

The Scheme Trustee has consulted with the University (on behalf of the employers with active members in the Scheme) on the content of this document.

Effective Date

This SIP is effective from 22 July 2021

1. Strategy

Investment Objective

The Trustee's objective for the DC Section is the following:

The Trustee is responsible for investing DC assets in line with members' preferences. Its key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives.

The Trustee has taken into account members' circumstances; in particular the possible range of members' attitudes to risk and term to retirement.

Investment Strategy

In order to meet the Scheme's Investment Objective, the Trustee provides members access to a number of individual funds via the provider's platform. Further details on each of the funds available to members are provided in the Appendix.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking expert advice from the Trustee's investment advisers.

In choosing the DC Section's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and extent of manager diversification.
- The suitability of each asset class for a DC Scheme.
- The need for appropriate diversification of asset classes.
- The current and expected future membership of the DC Section of the Scheme.
- The fund charges, in order to assess value for money.

Default Investment Arrangement

The Trustee is required to designate a default investment arrangement, into which contributions for members who are automatically enrolled (which occurs by enrolment into the DC Section) are invested. The Trustee has designated the L&G Target Date Funds 3 (previously named the Pathway Funds 3) as the default investment arrangement for the DC Section.

The Trustee, with its investment adviser, has assessed the suitability of the default investment arrangement in the light of the regulations governing the ways in which members can access their benefits at retirement. This assessment took into account the expected membership profile of the Scheme and expected fund values at retirement. The default investment arrangement was formally reviewed in 2020.

The Trustee's policies in relation to the default investment arrangement in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out elsewhere in this document.

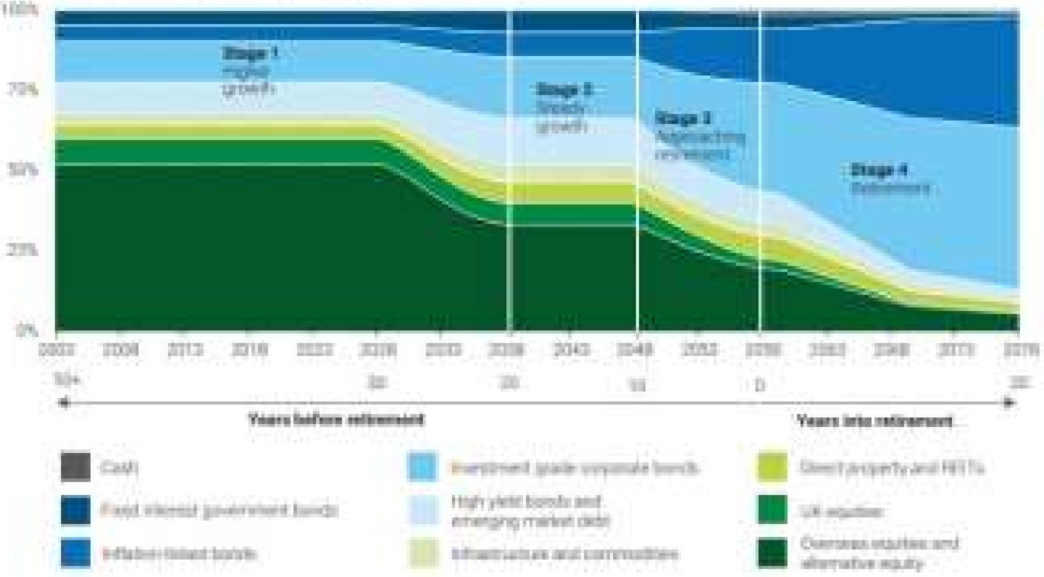
The default investment arrangement has been chosen by the Trustee so as to:

- provide long-term investment returns in excess of inflation,
- focus on mitigating downside risk for members as they approach retirement;
- reduce volatility as appropriate; and
- adopt an asset allocation at retirement that is broadly suitable no matter how members access their DC funds.

The aim of the Target Date Funds 3 is to provide opportunity for growth in the early years of investment by investing predominantly in equities initially then adopting a multi-asset approach with a significant allocation to growth assets from c.30 years before retirement date. As retirement approaches, the majority of assets are switched to historically less volatile and lower risk investments with the aim of protecting the value of the accumulated fund.

The chart overleaf shows the structure of the Target Date Fund 3 2055-2060 vintage (note that this chart shows the asset allocation of the Target Date Fund 3 after retirement however members are unable to leave their DC funds invested in the Scheme after they start taking benefits). The asset allocation shown is dynamic and due to evolve over time. Other target date fund vintages may have a different asset allocation to the one shown below.

Legal & General (PMC) 2055-2060 Target Date Fund



Source: Legal & General

2. Risks

The Trustee recognises that the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the DC Section.

The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

Risks
Risk of not meeting the reasonable expectations of members, bearing in mind members' contribution rates and fund choices.
Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and its investment advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
Risk of the default investment arrangement being unsuitable for some members.
Risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
Risk of the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations. The risk of the extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy. This is considered by the Investment Sub-Committee, which monitors the performance of funds held in the DC Section.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner. The Trustee's policy is to review the range of funds offered annually.

These risks were considered when setting the initial strategy and will be considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks/objectives on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

3. Governance

The Trustee of the Scheme is responsible for the investment of the Scheme assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to make an informed decision. The Trustee has established the following decision-making structure:

Trustee
▪ Sets structures and processes for carrying out its role. ▪ Selects the investment adviser, bundled DC provider and overall investment strategy. ▪ Appoints the Investment Sub-Committee (ISC). ▪ Delegates monitoring of overall investment strategy to ISC. ▪ Considers and approves recommendations from the ISC.
Investment Sub-Committee (ISC)
▪ Makes recommendations to the Trustee on: – Selection of investment adviser. – Selection of overall investment strategy. – Selection of funds and fund managers. – Structure for implementing investment strategy. – Monitors investment advisers and bundled DC provider. – Monitors funds on a quarterly basis. – Makes ongoing decisions relevant to the operational principles of the Scheme's investment strategy. – Implements changes to the investment fund range approved by the Trustee.
Investment Adviser
▪ Advises on all aspects of the investment of the Scheme assets, including implementation. ▪ Advises on this statement. ▪ Provides required training.

Bundled DC Provider
• Operates within the terms of this statement and its written contracts. • Provides unit prices and other reporting material on a regular basis. • Provides quarterly performance reporting to the Investment Sub-Committee. • Provides Scheme information to advisers and the Trustee.

4. Implementation

Aon Solutions UK Limited has been appointed as investment adviser to the Trustee and Investment Sub-Committee. They operate under an agreement to provide a full service designed to ensure that the Trustee and the Investment Sub-Committee are fully briefed both to take decisions themselves and to monitor those they delegate. They are paid on a basis that is agreed with the Trustee and which is currently a combination of a fixed fee for core services and time and materials basis for other services.

The fund manager structure and investment objectives for each fund manager ("mandates") are as set out in the Appendix.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through an insurance policy with the Bundled DC Provider. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practical.

All fund managers are remunerated on a fee basis related to the amount of assets under management. This structure has been chosen as the most cost-effective available to DC pension schemes. In addition, fund managers pay commissions to third parties on some of the many trades they undertake in the management of the assets and also incur other ad hoc costs.

5. General

Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy, or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments, the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Arrangements with asset managers

The Trustee monitors the DC investments to consider the extent to which the default investment arrangement and decisions of the asset managers are aligned with the Trustee's policies as set out in this SIP.

This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial performance and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment adviser.

The Trustee receives regular reports and verbal updates from the investment adviser on various items including the investment strategy, performance and longer-term positioning of the portfolio. The Trustee focuses on the longer-term performance when considering the ongoing suitability of the investment strategy in relation to the DC Section objectives and assesses the asset managers over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been adhered to throughout the year.

The Trustee shares the policies, as set out in its separate ESG policy, with the asset managers and requests that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, then the Trustee will express its expectations to the asset managers by other means (such as through a side letter, in writing or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation setting clear expectations of the asset managers' performance and investment strategy is, in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium and long-term financial and non-financial performance.

Where asset managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

The Trustee does not regularly monitor asset managers against non-financial criteria of the investments made on its behalf.

Investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual fund management charges (including other annual charges levied by the investment manager) are met by the members by deduction from the unit price. The Trustee monitors and reviews the level of charges, as part of the work to prepare the Chair's Statement each year.

Environmental, Social and Governance considerations

In setting the range of funds available to members, the Trustee's primary concern is to seek the best return that is consistent with an appropriate level of risk. This includes the risk that environmental, social and governance ('ESG') factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment adviser when setting the DC Section's investment strategy.

The DC Section assets are invested in pooled funds. The Trustee cannot directly influence the managers' policies on ESG factors in these circumstances. However, the investment managers are in a position to exert significant influence on the companies in which they invest and the Trustee uses its influence as an asset owner and expects its managers to integrate social, environmental and governance considerations (including, but not limited to climate change) and opportunities within their investment process as applied to the funds available to members.
The Trustee believes that the exercise of rights (including voting rights) attaching to investments should be exercised by each investment manager, to whom the day-to-day responsibilities have been delegated, in the interests of investors. The Trustee believes that this will ultimately be in the best interests of the members.

Stewardship – Voting and Engagement

As part of its delegated responsibilities, the Trustee expects the DC Section's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- Exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent asset manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the asset manager.

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for members and their beneficiaries,

The Trustee reviews the stewardship activities of its asset managers on a regular basis, covering both engagement and voting actions. The Trustee will review the alignment of the its policies to those of the asset managers and ensure its asset managers of other third parties use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability and positive change.

The Trustee expects transparency from its asset managers on their voting and engagement activity. Where voting is concerned, the Trustee expects asset managers to, where relevant, provide a summary of their voting actions on an annual basis. The transparency offered for engagement activity should include the objectives of the engagement action, the ultimate outcome and the processes for escalating unsuccessful engagements.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with issuers of debt and equity, an asset manager or another holder of debt or equity and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the DC Section's investment strategy, the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact or present and future quality of life matters (defined as 'non-financial factors'). The Trustee does make an ethical fund and an environmental, social and governance ('ESG') fund available to members through the self-select fund range.

Costs and Transparency

The Trustee is aware of the importance of monitoring the costs and charges borne by members and the impact these costs can have on member outcomes. The Trustee regularly monitors and reviews the costs and charges borne by members, as part of the work to prepare the Chair's Statement each year.

Explicit charges

The investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice. Annual investment management charges (including annual management charges levied by the provider) are met by the members by deduction from the unit price.

The level of costs is reviewed against competitive market levels with input from the investment adviser, as part of the value assessment carried out in respect of the Chair's Statement each year.

Transaction costs

The Trustee monitors transaction costs (defined as the costs incurred as a result of the buying and selling of investments) through the Financial Conduct Authority compliant reporting received from managers. These costs are confirmed in the Chair's Statement each year.

The Trustee accepts that transaction costs need to be incurred to drive investment returns. The level of these costs varies across asset classes and by manager style within an asset class. For this reason, there are no overall targets for transaction costs and this is reviewed on a case by case basis depending on market circumstances and manager strategy.

Realisation of investments	The Scheme's assets are invested in daily priced pooled investment funds, and the vast majority of the underlying assets are invested in quoted markets. The platform provider can be required to realise investments as soon as it becomes appropriate to do so.
Investment Adviser	Aon Solutions UK Limited has been appointed as Investment Adviser. It has the knowledge and experience required under the Pensions Act 1995.
Review of SIP	In drawing up this document, the Scheme Trustee has sought advice from the Scheme's Investment Adviser, Aon Solutions UK Limited. The Trustee will review this SIP at least every three years and without any delay after any significant change in investment policy or the demographic profile of relevant members. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Appendix – Fund Options

Investment fund	Investment style	Benchmark	Fee[1]	Investment Characteristics
L&G PMC Target Date Funds 3		Composite	0.45% pa	This Fund provides exposure to a range of different asset classes and the mix of assets within the fund charges over time to reflect the needs of members as they approach their target retirement date.
L&G PMC All-World Equity Index Fund 3	Passive	Global Equities	0.42% pa	To track the performance of the FTSE All-World Index (less withholding tax where applicable) to within +/- 0.5% per annum for two years out of three.
L&G PMC Future World Multi-Asset Fund	Passive	Composite	0.46% pa	The fund will invest in a range of assets which may include equities, bonds, cash and listed infrastructure, private equity and global real estate companies. Exposure to each asset class will primarily be through investing in passively managed funds with the ESG exposure being provided through investments in a range of Future World equity and bond index funds. These funds are constructed and weighted by the index provider based on ESG scoring of eligible constituents. Where an ESG approach is not likely to be feasible or meaningful, the fund will use traditional index funds for asset allocation purposes.
L&G PMC Ethical Global Equity Index Fund	Passive	Global Equities	0.60% pa	To track the sterling total returns of the FTSE4Good Global Equity Index before charges (including re-invested income, less withholding tax) to within +/- 0.5% per annum for two years in three.
L&G PMC HSBC Islamic Global Equity Index Fund	Passive	Global Equities	0.65% pa	The Fund aims to create long term appreciation of capital through investment in a diversified portfolio of securities as defined by a relevant world index, which meets Islamic investment principles as interpreted and laid down by the Shariah Committee and provided to the Board of Directors.

[1] Fees as at April 2021

Investment fund	Investment style	Benchmark	Fee[1]	Investment Characteristics
L&G PMC All Stocks Index Linked Gilts Index Fund	Passive	UK Index-linked Gilts	0.38% pa	To track the sterling total returns of the FTSE Index-Linked (All Stocks) Index before charges (including re-invested income) to within +/- 0.25% per annum for two years in three.
L&G PMC Retirement Income Multi-Asset Fund		Composite	0.61% pa	To provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income. The Fund invests globally in a range of different asset classes. The Fund invests in both index tracking and actively managed funds.

Review of SIP	In drawing up this document, the Scheme Trustee has sought advice from the Scheme's Investment Adviser, Aon Solutions UK Limited, and the Scheme Actuary. The advice takes into consideration the suitability of investments for the Scheme. This SIP will be reviewed typically annually or immediately following a change of investment policy. Written advice on any changes will be taken from the Investment Adviser and the University, on behalf of the employers with active members, in the Scheme, will also be consulted. The investment managers are required to invest in accordance with the principles outlined in this SIP.
Policy on Rights Attaching to Investments	The Trustee believes that it should encourage the companies it invests with to adopt good practice regarding corporate governance and corporate responsibility. The Scheme Trustee is in agreement with the principles of effective stewardship included in the Financial Reporting Council UK Stewardship Code, and has requested the Investment Managers to comply with these principles. The Trustee receives reports from its investment managers displaying the level of voting activity and engagement, highlighting occasions where they have not voted in agreement with their policy.